

(ii) Requirement that certain borrowers maintain, on an ongoing basis, a power requirements study and a power requirements study work plan, as set forth in §§ 1710.201 and 1710.202;

(iii) Requirement that borrowers follow RUS construction standards and use RUS accepted materials, as set forth in § 1710.41, § 1710.45, and 7 CFR part 1728;

(iv) Requirement that borrowers maintain, on an ongoing basis, a long-range engineering plan and a construction work plan, as set forth in § 1710.250(b);

(v) Requirement that borrowers set rates for electric service sufficient to maintain certain coverage ratios, as set forth in § 1710.114;

(vi) Certain RUS approvals of retirements of capital credits in excess of amounts specifically authorized in the mortgage;

(vii) RUS approval of borrower investments, loans, guarantees, and other obligations under 7 CFR part 1717, subpart N;

(viii) RUS requirements on accounting, auditing, irregularities, financial reporting, and access to books and records;

(ix) Requirement that borrowers record the mortgage and mortgage amendments;

(x) Requirement that the mortgagor maintain and preserve the priority lien of the mortgage and defend title to the mortgaged property;

(xi) Requirements on maintenance and repair of the mortgaged property;

(xii) Requirements on insurance of the mortgaged property; and

(xiii) Certain RUS approvals of borrower mergers and consolidations; and

(2) Requirements imposed on borrowers pursuant to statute or regulation and not specifically exempted by paragraph (c) of this section. See, for example, §§ 1710.122 through 1710.127.

(e) *Rescission of exemptions if borrower defaults.* If a borrower is in default with respect to any requirement of its mortgage, loan contract with RUS, or any other agreement with RUS that has not been exempted pursuant to paragraph (c) of this section or other RUS regulations, upon written notice to the borrower RUS may rescind all or any part of the exemptions granted pursu-

ant to paragraph (c) of this section or other RUS regulations. The reinstated requirements and controls will remain in effect until RUS determines that they are no longer needed to help ensure that the security, including the assurance of repayment, for loans made or guaranteed by RUS will remain reasonably adequate.

(f) *Reinstated controls.* If RUS controls are reinstated because the borrower defaults or its net worth falls below 110 percent of RUS debt, such controls and approval rights will apply to all applicable subsequent actions of the borrower, including without limitation the amendment of contracts that the borrower entered into while eligible for an exemption under this section.

[60 FR 67401, Dec. 29, 1995, as amended at 62 FR 27930, May 22, 1997]

§§ 1710.8—1710.49 [Reserved]

Subpart B—Types of Loans and Loan Guarantees

§ 1710.50 Insured loans.

RUS makes insured loans under section 305 of the RE Act.

(a) *Municipal rate loans.* The standard interest rate on an insured loan made on or after November 1, 1993, is the municipal rate, which is the rate determined by the Administrator to be equal to the current market yield on outstanding municipal obligations with remaining periods to maturity, up to 35 years, similar to the interest rate term selected by the borrower. In certain cases, an interest rate cap of 7 percent may apply. The interest rate term and rollover maturity date for a municipal rate loan will be determined pursuant to 7 CFR part 1714, and the borrower may elect to include in the loan documents a prepayment option (call provision).

(b) *Hardship rate loans.* RUS makes hardship rate loans at the 5 percent hardship rate to qualified borrowers meeting the criteria set forth in 7 CFR 1714.8

[58 FR 66263, Dec. 20, 1993]

§ 1710.51 Loan guarantees.

RUS provides financing through 100 percent loan guarantees made under

sections 306 and 306A of the RE Act. RUS also provides 90 percent loan guarantees under section 311 of the RE Act to enable borrowers to secure financing from certain private lenders. The loan guarantees are made for a term of up to 35 years, and the interest rate is established at a rate agreed to by the borrower and the lender, with RUS concurrence. The guarantee applies to the repayment of both principal and interest.

[58 FR 66264, Dec. 20, 1993]

§§ 1710.52—1710.99 [Reserved]

Subpart C—Loan Purposes and Basic Policies

§ 1710.100 General.

RUS makes loans and loan guarantees to finance the construction of electric distribution, transmission and generation facilities, including system improvements and replacements required to furnish and improve electric service in rural areas, and for demand side management, energy conservation programs, and on grid and off grid renewable energy systems. In some circumstances, RUS may finance selected operating expenses of its borrowers. Loans made or guaranteed by the Administrator of RUS will be made in conformance with the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*), and 7 CFR chapter XVII. RUS provides certain technical assistance to borrowers when necessary to aid the development of rural electric service and to protect loan security.

[58 FR 66264, Dec. 20, 1993]

§ 1710.101 Types of eligible borrowers.

(a) RUS makes loans to corporations, states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, limited-dividend, or mutual associations that provide or propose to provide:

(1) The retail electric service needs of rural areas, or

(2) The power supply needs of distribution borrowers under the terms of power supply arrangements satisfactory to RUS.

(b) In making loans, RUS gives preference to states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, or limited-dividend associations. RUS does not make loans to individual consumers.

(c) For the purpose of determining eligibility of a distribution borrower not in default on the repayment of a loan made or guaranteed under the RE Act for a loan, loan guarantee, or lien accommodation, a default by a borrower from which a distribution borrower purchases wholesale power shall not:

(1) Be considered a default by the distribution borrower;

(2) Reduce the eligibility of the distribution borrower for assistance under the RE Act; or

(3) Be the cause, directly or indirectly, of imposing any requirement or restriction on the borrower as a condition of the assistance, except such requirements or restrictions as are necessary to implement a debt restructuring agreed on by the power supply borrower and RUS.

(d) For the purpose of determining the eligibility of a distribution borrower, RUS will consider whether the distribution borrower is current on its obligations to its wholesale power supplier under the RUS wholesale power contract.

(e) Nothing in paragraph (c) of this section relieves any distribution borrower that is a member of a power supply borrower in default on its obligations to RUS or operating under a debt restructuring agreement, of requirements set forth in RUS regulations, including, without limitation, § 1710.112(b)(6), or of any terms and conditions that the Administrator may otherwise impose on any borrower as a condition of obtaining a loan or loan guarantee (including, in appropriate cases, member guarantees).

(f) Except as provided in paragraph (g) of this section, former borrowers that have paid off all outstanding loans may reapply for a loan to serve RE Act beneficiary loads accruing from the time the former borrower's complete loan application is received by RUS. The determination of whether an area is rural will be based on the Census